

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name HENRIETTA TOWNSHIP	County JACKSON
Audit Date 6/30/05	Opinion Date 12/21/05	Date Accountant Report Submitted to State: 12/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

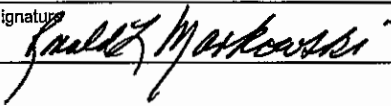
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) MARKOWSKI & COMPANY, CPAs			
Street Address 2880 SPRING ARBOR RD	City JACKSON	State MI	ZIP 49203
Accountant Signature 		Date 12-28-05	

HENRIETTA TOWNSHIP
AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
JUNE 30, 2005

**HENRIETTA TOWNSHIP
FINANCIAL STATEMENTS
JUNE 30, 2005**

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MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

INDEPENDENT AUDITOR'S REPORT

Township Board
Henrietta Township
Jackson County, Michigan

We have audited the financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of Henrietta Township, Michigan, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

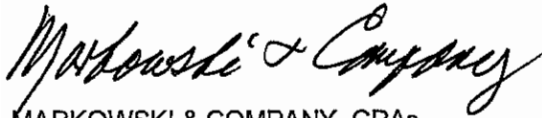
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds, and remaining fund information of the Township at June 30, 2005, and the changes in financial position, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the budgetary comparison information are not required parts of the basis financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Township Board
Henrietta Township
Jackson County, Michigan

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,

A handwritten signature in black ink that reads "Markowski & Company". The signature is written in a cursive, flowing style.

MARKOWSKI & COMPANY, CPAs
December 21, 2005

Management's Discussion and Analysis

Using this Annual Report

As management of Henrietta Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of Henrietta Township for the fiscal year ended June 30, 2005.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Townships net assets increased by \$11,568 from a year ago. Governmental activities increased in the following areas; building department revenues increased on continued strong residential construction in the township and an increase in administrative fee's to offset the cost of operating the building department. The fire department continued charging fees for providing services to a neighboring township.

In a condensed format, the table below shows the net assets as of the current date:

	Governmental Activities	
	June 30, 2005	June 30, 2004
Current Assets	\$ 474,128	\$ 478,462
Noncurrent Assets	297,520	345,827
Total Assets	771,648	824,289
Current Liabilities	67,395	86,945
Long-Term Debt Outstanding	-	44,659
Total Liabilities	67,395	131,604
Net Assets		
Invested in Capital Assets - Net of Debt	252,861	246,197
Unrestricted	451,392	446,488
Total Net Assets	\$ 704,253	\$ 692,685

Management's Discussion and Analysis

The following table shows the changes of the net assets as of the current date:

	Governmental Activities	
	June 30, 2005	June 30, 2004
Program Revenues		
Charges for Services	\$ 142,533	\$ 129,762
Operating grants and Contributions	4,687	33,530
General Revenues		
Property Taxes	121,590	112,226
State-Shared Revenues	305,920	307,094
Interest Income	6,727	7,616
Franchise Fees	9,529	9,625
Other Income	10,919	18,704
Total Revenues	601,905	618,557
Program Expenses		
Legislative	48,986	63,613
General Government	212,502	211,530
Public Safety	243,967	227,382
Public Works	6,183	5,860
Depreciation	73,913	79,080
Interest on Long Term Debt	4,786	6,991
Total Expenses	590,337	594,456
Change in Net Assets	\$ 11,568	\$ 24,101

Government Activities

The Township's total governmental revenues decreased by \$16,652, primarily due to the decrease of public contributions (a resident contributed \$33,500 for a capital project in the previous year). Other governmental revenue increased as permit fees and charges to other local units of government increased. The Township monitors its budget and expenditures closely in order to control costs. Each department is involved in the budgeting and planning process and fully understands that a budget is a plan that is adjustable. Each department's budget and expenditures are reviewed monthly with the department head and management. Total expenses decreased by \$4,119 with the primary decrease coming from Legislative expenses from a decrease in professional services.

General Fund Budgetary Highlights

The initial budget was well planned and reviewed by each department and the board. Monthly and quarterly budget meetings are held, and amendments are made as needed. The original budget adopted for the Township's General Fund projected a \$43,490 decrease in fund balance. As the year progressed, and actual events took place, amendments were adopted to reflect the changing financial picture.

The final General Fund budget projected an \$18,930 decrease in fund balance. Current property taxes revenues budget was amended to increase \$3,400, state shared revenue was amended to increase by \$15,600. The Fire Department budget was amended to increase by \$31,100 due to the need for the purchase of a "Jaws of Life".

Management's Discussion and Analysis

The Township's Funds

The fund financial statements provide a more detailed analysis of the Township's operations, which is focused primarily on the current use of available resources. The Township maintains several funds to help manage money designated for special purposes, as well as to show accountability for certain activities.

The General Fund, the major governmental fund, relates to the general governmental activities of the Township, which are financed by property taxes, by distribution of State Shared revenues, and from fees charged for various municipal activities and services. The most significant services provided are fire, building inspections and a recycling center. The expenditures were \$157,191, \$61,729, and \$64,782 respectively. Building department revenues of \$57,005, and refuse and recycling fees of \$38,828 helped to offset operating costs. Building permit administrative fees and recycling and refuse fees have been increased to bring the revenue more in line with cost of operation in these vital service areas.

The Township also has a Vehicle Replacement Fund and Public Improvement Fund to account for resources set aside for fire vehicle replacement and future public improvements.

Capital Asset and Debt Administration

At the end of 2005, the Township had \$271,329 invested in a broad range of capital assets, including buildings and fire equipment. In addition, the Township has invested in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the County Road Commission. During the year new fire equipment (jaws of life) and building improvements totaling \$27,022 were purchases.

The Township's debt consists of a fire engine purchased under an installment purchase agreement. The remaining debt of \$44,659 will be completely repaid in 2005/06.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2005/06 shows expenditures of \$552,510 with revenues budgeted at \$556,650. State shared revenues look to remain stable. Property tax revenues are budgeted at \$120,000. The board has increased fees for building and inspection permits and the transfer station to offset rising costs. We continue to look for ways to reduce operating costs and still maintain our level of services. The Township fire department has applied for state and federal grants for needed equipment. The Township operates on a 1 mill tax levy (.79) after Headlee. The board is further reviewing the need for additional millage monies in order to maintain the current level of services in the area of public safety.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

HENRIETTA TOWNSHIP
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

HENRIETTA TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS

	<u>GOVERNMENTAL ACTIVITIES</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 183,429
Investments	187,877
Accounts receivable	102,822
Total current assets	<u>474,128</u>
NONCURRENT ASSETS	
Land	3,500
Buildings and improvements	286,530
Office equipment	102,105
Equipment	258,430
Vehicles	415,880
Less - Accumulated depreciation	<u>(795,116)</u>
Net property and equipment	271,329
Intangible asset - road construction	26,191
Total noncurrent assets	<u>297,520</u>
 Total assets	 <u>771,648</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	7,594
Accrued payroll	11,142
Accrued leave payable	4,000
Bonds, notes, and loans payable	44,659
Total current liabilities	<u>67,395</u>
NET ASSETS:	
Invested in capital assets - net of related debt	252,861
Unrestricted	451,392
Total net assets	<u>\$ 704,253</u>

The accompanying notes are an integral part of the financial statements.

HENRIETTA TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Legislative	\$ 48,986	\$ -	\$ -	\$ (48,986)
General government	212,502	56,928	4,687	(150,887)
Public safety	243,967	80,935	-	(163,032)
Public works	6,183	4,670	-	(1,513)
Depreciation	73,913	-	-	(73,913)
Interest on long term debt	4,786	-	-	(4,786)
Total governmental activities	590,337	142,533	4,687	(443,117)
General revenues				
Property taxes				121,590
State-shared revenues				305,920
Interest income				6,727
Franchise fees				9,529
Other income				10,919
Total general revenues				454,685
Change in net assets				11,568
Net assets - Beginning				692,685
Net assets - Ending				\$ 704,253

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	GENERAL FUND	VEHICLE REPLACEMENT FUND	PUBLIC IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS AND OTHER DEBITS</u>				
Cash and cash equivalents	\$ 120,629	\$ 19,420	\$ 43,380	\$ 183,429
Investments	-	55,440	132,437	187,877
Accounts receivable	102,362	-	-	102,362
Due from other funds	460	-	-	460
Total assets and other debits	<u>\$ 223,451</u>	<u>\$ 74,860</u>	<u>\$ 175,817</u>	<u>\$ 474,128</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable	\$ 7,594	\$ -	\$ -	\$ 7,594
Accrued payroll	11,142	-	-	11,142
Total liabilities	<u>18,736</u>	<u>-</u>	<u>-</u>	<u>18,736</u>
<u>FUND BALANCES</u>				
Fund balances - Unreserved	204,715	74,860	175,817	455,392
Total fund balances	<u>204,715</u>	<u>74,860</u>	<u>175,817</u>	<u>455,392</u>
Total liabilities, fund equity and other credits	<u>\$ 223,451</u>	<u>\$ 74,860</u>	<u>\$ 175,817</u>	<u>\$ 474,128</u>

The accompanying notes are an integral part of the financial statements.

HENRIETTA TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
JUNE 30, 2005

Total fund balance - total governmental funds	\$ 455,392
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. For purposes of this reconciliation capital assets are netted with accumulated depreciation.	271,329
The Township has entered into a road agreement with the County Road Commission, the payments are spread over a five year period. The Township does not own or maintain these roads and therefore are not reported in the governmental funds balance sheet. Amount shown net of related amortization.	26,191
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(44,659)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(4,000)</u>
Net assets of governmental activities	<u>\$ 704,253</u>

The accompanying notes are an integral part of the financial statements.

HENRIETTA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	GENERAL FUND	VEHICLE REPLACEMENT FUND	PUBLIC IMPROVEMENT FUND	TOTAL
REVENUES:				
Taxes and penalties	\$ 121,590	\$ -	\$ -	\$ 121,590
Franchise fee	9,529	-	-	9,529
Licenses and permits	57,005	-	-	57,005
Fees and fines	23,930	-	-	23,930
Intergovernmental	305,920	-	-	305,920
Charges for services	61,598	-	-	61,598
Interest income	1,182	1,235	4,310	6,727
Other revenue	15,606	-	-	15,606
Total revenues	<u>596,360</u>	<u>1,235</u>	<u>4,310</u>	<u>601,905</u>
EXPENDITURES:				
Current:				
Legislative	48,986	-	-	48,986
General government	212,502	-	-	212,502
Public safety	240,467	-	-	240,467
Public works	17,407	-	-	17,407
Capital outlay	27,022	-	-	27,022
Debt service	-	47,117	-	47,117
Total expenditures	<u>546,384</u>	<u>47,117</u>	<u>-</u>	<u>593,501</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>49,976</u>	<u>(45,882)</u>	<u>4,310</u>	<u>8,404</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	26,000	600	26,600
Operating transfers (out)	(26,600)	-	-	(26,600)
Total other financing sources (uses)	<u>(26,600)</u>	<u>26,000</u>	<u>600</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	<u>23,376</u>	<u>(19,882)</u>	<u>4,910</u>	<u>8,404</u>
FUND BALANCE - Beginning of year	<u>181,339</u>	<u>94,742</u>	<u>170,907</u>	<u>446,988</u>
FUND BALANCE - End of year	<u>\$ 204,715</u>	<u>\$ 74,860</u>	<u>\$ 175,817</u>	<u>\$ 455,392</u>

The accompanying notes are an integral part of the financial statements.

HENRIETTA TOWNSHIP**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005**

Net change in fund balances - total governmental funds	\$ 8,404
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlay as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	27,022
Governmental funds report road payments to the County Road Commission as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those intangible assets is allocated over their estimated useful lives as amortization expense.	12,640
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(73,913)
Amortization expense on intangible assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, amortization expense is not reported as an expenditure in governmental funds.	(1,416)
Accrued leave is not due and payable in the current period and, therefor, is not reported in the governmental funds balance sheet.	(3,500)
The payments of long term debt consumes the current financial resources of governmental funds. The amount of the effect of this in the statement of activities.	<u>42,331</u>
Change in net assets of governmental activities	<u>\$ 11,568</u>

The accompanying notes are an integral part of the financial statements.

HENRIETTA TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 7,339</u>
<u>LIABILITIES</u>	
Due to others	\$ 6,879
Due to other funds	<u>460</u>
Total Liabilities	<u>\$ 7,339</u>

The accompanying notes are an integral part of the financial statements.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

HENRIETTA TOWNSHIP
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JUNE 30, 2005

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HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

The accounting methods and procedures adopted by Henrietta Township conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following is a summary of the significant accounting policies used by Henrietta Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF TOWNSHIP OPERATIONS -

Henrietta Township is a general law township and is located in Jackson County, Michigan. The Township operates under an elected Board consisting of a Supervisor, Clerk, Treasurer, and two Trustees, and provides services to approximately 4,400 residents in many areas including fire and police protection, roads and streets, public interests, planning and zoning, and general administrative services.

B. REPORTING ENTITY -

As required by generally accepted accounting principles, the financial statements of Henrietta Township include its primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. On this basis, accordingly, the financial statements of certain other governmental organizations within the Township, such as the school district, are not included in the financial statements of the Township.

C. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information on all of the nonfiduciary activities of Henrietta Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as a separate column in the fund financial statements.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Vehicle Replacement Fund accounts for the resources advanced from the general fund earmarked for capital outlays for the Township's fire department.

The Public Improvement Fund accounts for resources received from the general fund earmarked for public improvements.

Additionally, the Township reports the following fund types:

The Township reports the following Fiduciary Funds (not included in government-wide financial statements)

Agency funds account for assets held by the Township in a purely custodial capacity, the reporting entity includes three agency funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

The Delinquent Tax Fund accounts for delinquent taxes and other fees collected to be distributed to the General Fund.

The Tax Revenue Fund accounts for property tax collections to be distributed to the Township General Fund.

The Fire Explosion Fund accounts for amounts collected from casualties and losses to ensure that the proper township ordinances are enforceable.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. CASH AND CASH EQUIVALENTS -

The Township has classified cash on hand in checking accounts as cash for balance sheet purposes. Cash in excess of current requirements is invested by the Treasurer in certificates of deposit. Certificates that mature within 90 days have liquidity similar to a regular checking account, they are presented as a cash equivalent in the financial statements. Certificates with a maturity of greater than 90 days are considered investments for financial statement purposes.

F. RECEIVABLES -

Henrietta Township records accounts receivable for amounts due from the State of Michigan for State shared revenue in the General Fund.

G. PREPAID EXPENSES -

Expenses, material in amount, which provide benefits in a future period have been set up as prepaid. They will be recognized as an expense in the period receiving the benefit.

H. CAPITAL ASSETS -

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 to 30 years
Vehicles and equipment	3 to 7 years

I. INTANGIBLE ASSETS

The Township has entered into an agreement with the County Road Commission to construct and maintain roads within the township. The Township does not maintain custody of the roads but does share in the construction costs. The resources used in the construction of the roads are recorded as intangible assets and amortized over a period of 10 to 30 years in the government wide financial statements.

J. FUND EQUITY -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. ACCUMULATED UNPAID LEAVE PAY -

It is the Township's policy to permit full time employees to accumulate earned but unused leave time. Accumulated at June 30, 2005, the liability included \$4,000 unpaid leave pay benefits reported in the governmental funds. All leave pay is accrued when incurred in the government-wide financial statements.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

L. LONG TERM OBLIGATIONS -

In the government wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities.

M. ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

BUDGET VIOLATIONS -

During the year, the Township incurred no expenditures in budgeted funds which were in excess of the amounts appropriated.

NOTE 3 - PROPERTY TAXES:

The Township property taxes are levied annually on December 1st. Payment is due by the last day of the following February. For fiscal year 2005, the Township levied an operating tax. The operating tax is levied on the taxable valuation of real and personal property located within the Township on the preceding December 31st. For the 2004 levy collected in fiscal year 2005, the taxable value was \$111,061,927. The operating tax levied was 0.7899 mills (\$.7899 per \$1,000 of the taxable value).

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 - CASH AND INVESTMENTS:

The Township Treasurer is authorized by state law and a resolution from the Board of Trustees to invest surplus funds as follows:

- 1) Bonds or other direct obligations of the United States.
- 2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union.
- 3) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. The maturity date of the commercial paper must not be longer than 270 days from the purchase date, and no more than 50% of any fund may be invested in commercial paper at any time.
- 4) United States government or federal agency obligations repurchase agreements.
- 5) Bankers' acceptances of United States banks.
- 6) Mutual funds composed of investment vehicles which are legal for direct investments by the Township.

Cash and cash equivalents of the Township can be categorized as follows:

	Carrying Amount	Bank Balance
Cash and cash equivalents:		
Insured (IFDIC)	\$ 119,420	\$ 119,420
Uninsured and uncollateralized	71,348	87,238
	<u>\$ 190,768</u>	<u>\$ 206,658</u>
Reported in the financial statements:		
Governmental funds	\$ 183,429	
Fiduciary funds	7,339	
	<u>\$ 190,768</u>	

The Township has invested cash in excess of current requirements in certificate of deposits which are allowable under State Law.

Investments of the Township can be categorized as follows:

	Carrying Amount	Bank Balance
Investments:		
Insured (IFDIC)	\$ 55,437	\$ 55,437
Uninsured and uncollateralized	132,440	132,440
	<u>\$ 187,877</u>	<u>\$ 187,877</u>
Reported in the financial statements:		
Governmental funds	\$ 187,877	
Fiduciary funds	-	
	<u>\$ 187,877</u>	

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 4 – CASH AND INVESTMENTS: (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Township minimizes this risk by holding investments to maturity.

Concentration of Credit Risk

The Township's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by public agencies.

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables at June 30, 2005, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Fire explosion	\$ 149
	-	Tax Revenues	311
Total	<u>\$ 460</u>	Total	<u>\$ 460</u>

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

Capital asset activity of Henrietta Township for the current year was as follows:

	<u>07/01/04</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>06/30/05</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital assets not being depreciated				
Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Subtotal	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Capital assets being depreciated				
Buildings and improvements	279,440	7,090	-	286,530
Machinery and equipment	238,498	19,932	-	258,430
Office equipment	102,105	-	-	102,105
Vehicles	415,880	-	-	415,880
Subtotal	<u>1,035,923</u>	<u>27,022</u>	<u>-</u>	<u>1,062,945</u>
Less accumulated depreciation for				
Buildings and improvements	201,655	6,125	-	207,780
Machinery and equipment	161,027	18,640	-	179,667
Office equipment	59,003	10,921	-	69,924
Vehicles	299,518	38,227	-	337,745
Subtotal	<u>721,203</u>	<u>73,913</u>	<u>-</u>	<u>795,116</u>
Net capital assets being depreciated	<u>314,720</u>	<u>(46,891)</u>	<u>-</u>	<u>267,829</u>
Governmental activities capital total Capital assets - net of depreciation	<u>\$ 318,220</u>	<u>\$ (46,891)</u>	<u>\$ -</u>	<u>\$ 271,329</u>

NOTE 7 - EMPLOYEES' PENSION PLAN:

The Township contributes to a defined contribution pension plan, administered by an investment company, which covers all full time salaried and clerical employees.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account and the returns on investments of these contributions. Contributions made by an employee and contributions by the Township both vest immediately. The Township is required to contribute an amount equal to what each employee contributes up to 3% of the employee's gross earnings, excluding any overtime earnings.

During the year ending June 30, 2005, the Township's required contributions amounted to \$1,200.

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 8 - CHANGES IN LONG-TERM DEBT:

The general long-term debt and other long-term obligations of Henrietta Township, and the changes therein, may be summarized as follows:

	DEBT OUT- STANDING 07/01/04	ADDITIONS OF NEW DEBT	RETIREMENTS AND REPAYMENTS	DEBT OUT- STANDING 06/30/05
<u>GOVERNMENTAL ACTIVITIES</u>				
Amount due to the Jackson County Road Commission under local shared road agreement	\$ 12,640	\$ -	\$ (12,640)	\$ -
Fire engine installment purchase agreement. Payments of \$47,115 including interest at 5.5% annually through 3/25/06.	86,990	-	(42,331)	44,659
Total governmental activities	<u>\$ 99,630</u>	<u>\$ -</u>	<u>\$ (54,971)</u>	<u>\$ 44,659</u>

The Governmental Activities installment purchase agreement was obtained to purchase a fire engine. The remaining annual requirements to maturity for principal and interest are as follows:

<u>FISCAL YEAR DUE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	<u>\$ 44,659</u>	<u>\$ 2,456</u>

NOTE 9 - BUILDING PERMITS:

The Township complied with requirements to account for building permits and the related costs by establishing a department within the General Fund. Revenues for the year were \$57,005; the expenditures were \$61,729 as follows:

Revenues:	
Building permits	\$ 31,385
Electrical permits	9,965
Plumbing permits	7,510
Mechanical permits	8,145
Total	<u>57,005</u>
Expenditures :	
Building inspections	43,051
Electrical inspections	7,073
Plumbing-Mechanical inspections	11,605
Total	<u>61,729</u>
Expenditures in excess of revenues	<u>\$ (4,724)</u>

HENRIETTA TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 10 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for claims.

HENRIETTA TOWNSHIP
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
Beginning budgetary fund balance	\$ 166,324	\$ 181,339	\$ 181,339	\$ -
Resources (Inflows):				
Taxes -				
Current property taxes	84,900	87,800	87,805	5
Delinquent personal property	-	-	51	51
Administrative fees	30,000	30,500	30,634	134
Penalties and interest	3,100	3,100	3,100	-
Total taxes	118,000	121,400	121,590	190
Franchise fees	9,600	9,600	9,529	(71)
Licenses and permits				
Building permits	35,000	30,000	31,385	1,385
Electrical permits	9,000	9,000	9,965	965
Plumbing permits	6,000	7,300	7,510	210
Mechanical permits	7,500	7,500	8,145	645
Total licenses and permits	57,500	53,800	57,005	3,205
Fees and fines				
Site plan review	4,000	4,000	4,500	500
Zoning fees	1,500	250	250	-
Land division fees	1,000	1,600	1,810	210
Tax collection fees	10,000	9,000	9,183	183
Building demolition	-	7,600	7,649	49
Other fees and fines	300	550	538	(12)
Total fees and fines	16,800	23,000	23,930	930
Intergovernmental				
Sales tax	290,000	305,600	302,659	(2,941)
State metro act	3,500	3,500	3,261	(239)
Total	293,500	309,100	305,920	(3,180)
Charges for services				
Fire and rescue runs	22,000	18,700	18,100	(600)
Street lights	4,600	4,600	4,670	70
Transfer station	48,000	38,000	38,828	828
Total	74,600	61,300	61,598	298
Interest income	1,000	1,000	1,182	182
Other revenue				
Rents	7,200	7,200	7,200	-
Reimbursements	-	2,585	1,349	(1,236)
Donations	-	250	250	-
Grants	-	4,700	4,687	(13)
Miscellaneous	1,100	1,400	2,120	720
Total	8,300	16,135	15,606	(529)
OTHER FINANCING SOURCES (USES)-				
Operating transfers in	15,000	-	-	-
Amounts available for appropriation	\$ 760,624	\$ 776,674	\$ 777,699	\$ 1,025

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
Charges to appropriations (Outflows):				
LEGISLATIVE:				
TOWNSHIP BOARD:				
Personal services	-	-	6,461	-
Memberships	-	-	2,342	-
Purchased services	-	-	4,390	-
Office supplies	-	-	154	-
Telephone	-	-	150	-
Printing	-	-	577	-
Insurance	-	-	27,334	-
Travel	-	-	37	-
Repairs and maintenance	-	-	371	-
Cemetery contributions	-	-	4,100	-
Community promotion	-	-	1,776	-
Miscellaneous	-	-	1,294	-
TOTAL LEGISLATIVE	54,650	50,200	48,986	1,214
GENERAL GOVERNMENT:				
SUPERVISOR:				
Personal services	-	-	16,579	-
Telephone	-	-	765	-
Memberships	-	-	50	-
Training, education and seminars	-	-	112	-
Travel	-	-	39	-
Miscellaneous	-	-	75	-
Total	18,430	17,930	17,620	310
ELECTIONS:				
Personal services	-	-	2,870	-
Office supplies	-	-	990	-
Postage	-	-	559	-
Printing	-	-	637	-
Training, education and seminars	-	-	225	-
Repairs and maintenance	-	-	3,029	-
Total	8,600	8,400	8,310	90
TOWNSHIP CLERK:				
Personal services	-	-	19,879	-
Memberships	-	-	212	-
Purchased services	-	-	4,185	-
Office supplies	-	-	676	-
Postage	-	-	375	-
Telephone	-	-	1,184	-
Printing	-	-	773	-
Training, education and seminars	-	-	85	-
Repairs and maintenance	-	-	2,860	-
Travel	-	-	314	-
Miscellaneous	-	-	43	-
Total	41,600	37,000	30,586	6,414

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
ASSESSING:				
Personal services	-	-	307	-
Memberships	-	-	20	-
Purchased services	-	-	38,985	-
Office supplies	-	-	586	-
Postage	-	-	37	-
Telephone	-	-	520	-
Printing	-	-	2,107	-
Repairs and maintenance	-	-	1,100	-
Travel	-	-	692	-
Total	51,700	45,570	44,354	1,216
BOARD OF REVIEW:				
Personal services	-	-	1,553	-
Office supplies	-	-	83	-
Printing	-	-	114	-
Travel	-	-	230	-
Miscellaneous	-	-	74	-
Total	1,800	2,150	2,054	96
TOWNSHIP TREASURER:				
Personal services	-	-	22,757	-
Insurance	-	-	1,549	-
Purchased services	-	-	4,185	-
Office supplies	-	-	595	-
Postage	-	-	2,058	-
Telephone	-	-	522	-
Printing	-	-	115	-
Repairs and maintenance	-	-	1,110	-
Travel	-	-	279	-
Miscellaneous	-	-	34	-
Total	36,190	36,720	33,204	3,516
TOWNSHIP HALL AND GROUNDS:				
Purchased services	-	-	275	-
Telephone	-	-	198	-
Repairs and maintenance	-	-	4,871	-
Utilities	-	-	5,887	-
Miscellaneous	-	-	361	-
Total	22,550	13,850	11,592	2,258
TRANSFER STATION:				
Personal services	-	-	16,803	-
Purchased services	-	-	42,082	-
Utilities	-	-	775	-
Office supplies	-	-	217	-
Repairs and maintenance	-	-	4,074	-
Operating supplies	-	-	225	-
Miscellaneous	-	-	606	-
Total	75,720	68,845	64,782	4,063
TOTAL GENERAL GOVERNMENT	256,590	230,465	212,502	17,963

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
PUBLIC SAFETY:				
FIRE DEPARTMENT:				
Personal services	-	-	107,369	-
Memberships	-	-	201	-
Purchased services	-	-	3,214	-
Office supplies	-	-	526	-
Postage	-	-	22	-
Gas and oil	-	-	2,120	-
Clothing allowance	-	-	1,150	-
Operating supplies	-	-	5,509	-
Telephone	-	-	1,706	-
Repairs and maintenance	-	-	23,782	-
Training, education and seminars	-	-	3,483	-
Travel	-	-	1,110	-
Utilities	-	-	6,818	-
Miscellaneous	-	-	181	-
Total	153,400	161,900	157,191	4,709
ORDINANCE ENFORCEMENT:				
Office supplies	-	-	141	-
Purchased services	-	-	3,360	-
Operating supplies	-	-	905	-
Telephone	-	-	165	-
Travel	-	-	771	-
Miscellaneous	-	-	23	-
Total	7,100	6,000	5,365	635
BUILDING INSPECTIONS:				
Personal services	-	-	40,190	-
Office supplies	-	-	89	-
Postage	-	-	91	-
Telephone	-	-	640	-
Training, education and seminars	-	-	596	-
Repairs and maintenance	-	-	960	-
Travel	-	-	485	-
Total	44,000	45,250	43,051	2,199
ELECTRICAL INSPECTIONS:				
Personal services	-	-	6,558	-
Training, education and seminars	-	-	242	-
Travel	-	-	273	-
Total	7,500	9,000	7,073	1,927
PLUMBING-MECHANICAL INSPECTIONS:				
Purchased services	-	-	11,125	-
Travel	-	-	480	-
Total	13,500	13,500	11,605	1,895

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
PLANNING AND ZONING				
Personal services	-	-	4,535	-
Memberships	-	-	1,210	-
Office supplies	-	-	322	-
Purchased services	-	-	6,130	-
Printing	-	-	635	-
Postage	-	-	100	-
Telephone	-	-	595	-
Training, education and seminars	-	-	744	-
Operating supplies	-	-	904	-
Travel	-	-	806	-
Miscellaneous	-	-	201	-
Total	21,850	19,550	16,182	3,368
TOTAL PUBLIC SAFETY	247,350	255,200	240,467	14,733
PUBLIC WORKS:				
HIGHWAYS AND STREETS				
Road construction	13,000	13,000	12,640	360
STREET LIGHTS				
Utilities	5,200	5,200	4,767	433
TOTAL PUBLIC WORKS:	18,200	18,200	17,407	793
CAPITAL OUTLAY:				
Fire department	11,000	33,600	27,022	6,578
OTHER FINANCING SOURCES (USES) -				
Operating transfers out	50,000	26,600	26,600	-
TOTAL CHARGES TO APPROPRIATIONS	637,790	614,265	572,984	41,281
BUDGETARY FUND BALANCE -				
End of year	\$ 122,834	\$ 162,409	\$ 204,715	\$ 42,306

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
VEHICLE REPLACEMENT FUND
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Beginning budgetary fund balance	<u>\$125,527</u>	<u>\$ 94,742</u>	<u>\$ 94,742</u>	<u>\$ -</u>
Resources (Inflows):				
Interest income	<u>200</u>	<u>200</u>	<u>1,235</u>	<u>1,035</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>26,000</u>
Amounts available for appropriation	<u>125,727</u>	<u>94,942</u>	<u>121,977</u>	<u>27,035</u>
Charges to appropriations (Outflows):				
DEBT SERVICE				
Public safety	<u>-</u>	<u>90,224</u>	<u>47,117</u>	<u>43,107</u>
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 125,727</u>	<u>\$ 4,718</u>	<u>\$ 74,860</u>	<u>\$ 70,142</u>

HENRIETTA TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
PUBLIC IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Beginning budgetary fund balance	<u>\$174,491</u>	<u>\$ 170,907</u>	<u>\$ 170,907</u>	<u>\$ -</u>
Resources (Inflows):				
Interest income	<u>-</u>	<u>-</u>	<u>4,310</u>	<u>4,310</u>
OTHER FINANCING SOURCES (USES) -				
Operating transfers in	<u>-</u>	<u>-</u>	<u>600</u>	<u>600</u>
Amounts available for appropriation	<u>174,491</u>	<u>170,907</u>	<u>175,817</u>	<u>4,910</u>
Charges to appropriations (Outflows):				
Public works	<u>146,000</u>	<u>146,000</u>	<u>-</u>	<u>146,000</u>
BUDGETARY FUND BALANCE -				
End of year	<u>\$ 28,491</u>	<u>\$ 24,907</u>	<u>\$ 175,817</u>	<u>\$ 150,910</u>

MARKOWSKI & COMPANY

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MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
ESTATE PLANNING COUNCIL
OF SOUTH CENTRAL MICHIGAN

December 21, 2005

Township Board
Henrietta Township

We have audited the basic financial statements of Henrietta Township for the year ended June 30, 2005, and have issued our report thereon dated December 21, 2005. Professional standards require that we provided you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated November 28, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Henrietta Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Henrietta Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2005. We noted no transactions entered into by Henrietta Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Henrietta Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Henrietta Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Henrietta Township's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Henrietta Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



MARKOWSKI & COMPANY, CPAs

HENRIETTA TOWNSHIP
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2005

Segregation of Duties

Because of the limited size of Henrietta Township's staff, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Township. The Township management and board should continue to monitor and review the activities of employees.